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AUG 01 1986

IN THE MATTER OF THE INTEREST
ARBITRATION BETWEEN

CITY OF DECATUR, ILLINOIS

and

INTERNATIONAL ASSOCIATION OF
FIREFIGHTERS, LOCAL 505.

IL. STATE LABOR RELATIONS BOARD

)
) ILLINOIS STATE LABOR RELATIONS
) BOARD CASE NO. S-MA-29
)

) Howard Eglit, Chairman
) Robert A. Gaffron, Union Delegate
) Hilmer C. Landholt, City Delegate
)

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OPINION, FINDINGS, AND AWARD

I. BACKGROUND

Pursuant to the Illinois Public Labor Relations Act, Ill. Rev. Stat. ch. 48, para. 1601 et seq., the City of Decatur and the International Association of Firefighters, Local 505, have submitted their final offers regarding three issues to a three-member arbitration panel for resolution. The neutral chairman of the panel, Howard Eglit, was notified of his appointment by the Illinois State Labor Relations Board by a letter dated April 3, 1986, and received on April 8, 1986. The City of Decatur designated Hilmer C. Landholt as its delegate on the panel; Local 505 designated Robert A. Gaffron as its delegate.

The arbitration hearing was convened on April 15, 1986, by a conference call which is recorded by a letter written by the chairman, dated April 24, 1986, and made a part of the record. The hearing was continued in Decatur on April 29 and 30, and May 2, 1986. Both the City and Local 505 were represented by advocates who had full opportunity to present and cross-examine witnesses, and to present and examine the evidentiary materials submitted.^{1/} A reporter was present and a transcript of the proceedings was made. Following conclusion of the proceedings, the parties were afforded the opportunity to submit post-

^{1/} Some exhibits were submitted by the Union subsequent to the hearing. This was done with the assent of the City. Presumably, had there been any problem regarding them, it would have been called to the panel's attention by the City.

hearing briefs, to be postmarked no later than June 16, 1986. (The last brief to arrive was received by the chairman on June 18, 1986). By consent of the parties, the panel was given until August 1, 1986, to submit its findings, opinion, and award. (Absent such consent, these would have been due on July 18, 1986).

II. THE STATUTORY BACKDROP

Effective January 1, 1986, the Illinois Public Labor Relations Act was made applicable to police and firefighters. The Act requires interest arbitration if negotiation and mediation fail to resolve impasses. Section 14(g) of the statute provides as to economic issues that "the arbitration panel shall adopt the last offer of settlement which, in the opinion of the arbitration panel, more nearly complies with the applicable factors prescribed in subsection (h)" of the Act. Subsection (h) provides:

Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement, or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

- (1) The lawful authority of the employer.
- (2) Stipulations of the parties.
- (3) The interest and welfare of the public and the financial ability of the unit of government to meet those costs.

(4) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:

(A) In public employment in comparable communities.

(B) In private employment in comparable communities.

(5) The average consumer prices for goods and services, commonly known as the cost of living.

(6) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received.

(7) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

(8) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in public employment.

The statute does not require that all factors be addressed, but only those which are "applicable." Moreover, the statute makes no effort to rank these factors in terms of their significance, and so it is for the panel to make the determination as to which factors bear most heavily in this particular

dispute.^{2/}

III. THE PARTIES' RELATIONSHIP AND THE ISSUES BEFORE THE PANEL

The International Association of Firefighters has been the recognized bargaining agent for the Decatur Fire Department employees since the 1930's. Their last agreement with the City was signed in June, 1983, and was applicable for the period May 1, 1983, to April 30, 1985. The agreement provided that it would remain in force on a year-to-year basis from April 30, 1985, on, unless terminated by either party. Negotiations for a new contract began in March, 1985, but proved to be unavailing. Ultimately, on December 16, 1985, the Union was presented a memorandum by the City's chief negotiator which advised the Union of four facts:

- if an agreement was not reached by December 23, the City Council -- at its meeting on that evening -- would adopt an ordinance unilaterally imposing a wage increase on Local 505 members;
- the wage increase would be between 1% and 4%;
- the wage increase would not be retroactive to May 1, 1985, but would be effective as of December 26, 1985;

^{2/} The Illinois statute is based, virtually word for word, on Michigan's statute. With regard to the Michigan law, the Michigan Supreme Court has stated:

It is the panel which must make the difficult decision of determining which particular factors are more important in resolving a contested issue under the singular facts of a case, although, of course, all "applicable" factors must be considered.

City of Detroit v Detroit Police Officers Assn., ___ Mich. ___, ___ N.W.2d ___, 105 LRRM 3083, 3103 (1980). Accord City of Boston, 70 LA 154, 160 (1977) (addressing Massachusetts statute). See also Laner & Manning, Interest Arbitration: A New Terminal Impasse Resolution Procedure for Illinois Public Sector Employees, 60 Chicago Kent L. Rev. 839, 856 (1984).

—if a unilateral wage increase were imposed, and subsequently the Union would be prepared to enter into an agreement with the City, such agreement would not include a retroactivity provision.

No agreement was forthcoming and the City Council imposed a wage increase of 4%. Mediation was unsuccessful, and this interest arbitration followed. The parties submitted, at the outset of the hearing, their final offers as to the three issues in dispute.

One of the three issues concerns a salary increase. The Union's final offer is a 5.75% increase, starting May 1, 1986, and running through April 30, 1987. The City, in contrast, proposes a 4.5% increase.

The second issue concerns longevity pay. The Union proposes that members receive such pay, to be paid bi-weekly and to be based on the top firefighter's wage, according to the following schedule:

- a. More than five years but less than 10--1%;
- b. More than 10 years but less than 15--2%;
- c. More than 15 years but less than 20--3%;
- d. More than 20 years--4%.

The City proposes that longevity pay not be instituted, and that no change be made in the present rate of service recognition awards, which amount to \$5.00 per year for each year of service, commencing with the completion of the fifth year of service.^{3/}

The third issue involves health insurance benefits. The Union's final offer proposes no change in the current contract language. The City offer

^{3/} There was dispute as to whether the Union's final offer envisioned the abolition of service recognition awards. This matter will be addressed in that portion of our opinion dealing more extensively with the longevity pay issue.

proposes a change which will be discussed more fully below.

IV. THE WAGE INCREASE

The Union's final offer calls for a 5.75% wage increase; the City proposes a 4.5% increase. The Union did not offer evidence as to the monetary consequences of these alternative proposals, nor did the Union refute the City's evidence, which shows that the cost of the City offer for contract year 1986-87 would be \$122,026.00, while the cost of the Union offer would be \$155,922.00. In brief, there is a difference of approximately \$33,900.00 between the two parties' positions. Any salary increase necessarily will have further economic consequences in terms of pension costs. The City contributes 35.8% of a Union member's salary into the pension fund. Thus, if the wage increase is 4.5%, the increase in pension costs will be \$43,685.00. If the Union's offer is adopted by the panel, the pension costs will be \$55,820.00. The difference between the two is \$12,135.00. That increases the total monetary gap between the two parties' positions to \$46,000.00.

A. The Parties' Arguments

The Union contends that firefighting is a rigorous occupation, and that the present remuneration afforded to firefighters inadequately reflects that fact. The Union also argues that cost of living increases have outpaced salary increases over the past several years. Moreover, the Union contends that firefighters in other cities to which the Union points for the purpose of comparison are better compensated in the later stages of their careers than are Decatur firefighters. The Union disputes that an increase in salary in excess of 4.5% would break parity with the Decatur police, since the police already are better

paid -- on an hourly basis -- than are firefighters. Finally, the Union contends that the City is able to pay the additional costs associated with its proposal.

The City contends that the increase proposed by it is an adequate and proper one which parallels average pay increases for public employees both nationally and in comparable cities in Illinois. It further points to comparable cities in support of the proposition that Decatur firefighters are not underpaid. While not contesting the value of the firefighting force, the City disputes the notion that the nature of firefighting in Decatur is such that heightened salary increments are due. Moreover, a salary increase in excess of 4.5% would constitute a breaking of long-standing parity with the police, and would inevitably lead to the police in turn demanding comparable increases and indeed -- given the precedent of parity being broken -- increases even in excess of those accorded now and in the future to the firefighters. The City further contends that while it is not, in a strict sense, financially unable to pay the Union's proposal, serious financial strains would result were the higher pay increase to be awarded. Moreover, or in addition, the Union's increase would not be in the public interest, given the rather grim economic picture in Decatur and the related efforts of the City to maintain and enhance its posture as an attractive business environment.

B. Application of the Statutory Criteria to the Wage Increase Issue

As noted earlier, the Illinois Public Labor Relations Act sets forth eight criteria which are to be applied, when applicable, by the panel. The first two -- "the lawful authority of the employer" and "stipulations of the parties" -- are not applicable here, or at least they are not at issue. There is no dispute

as to the City having the authority to pay employees and the further authority to set their wages, including increases, within the constraints of applicable statutes and collective bargaining agreements. Likewise, there are no stipulations by the parties relevant to the question of determining the appropriate pay for Union members. Insofar as the seventh factor — e.g., changes in circumstances — is concerned, the parties have not offered any evidence regarding this criterion. Moreover, the parties' silence aside, the panel is unaware of any relevant changes in circumstances. Thus, this statutory criterion is inapplicable here.

The remaining criteria do come into play.

1. Comparisons With Other Cities

The statute instructs the panel to take into account the wages, hours, and conditions of employment of other firefighters, as well as other employees generally, in (A) public employment in comparable communities, and in (B) private employment in comparable communities. Even were the statute silent on this matter, reliance upon 'comparables' is of course extremely common — and appropriate — in interest arbitrations.

(a) Private Employment

No evidence was offered regarding the salaries of employees in private employment in other communities.^{4/} Accordingly, there is nothing for the panel to address regarding this issue.

^{4/} The Union did offer some evidence regarding the salaries of private employees in Decatur. That evidence is discussed in that portion of this opinion which deals with the eighth criterion set forth in the Illinois Public Labor Relations Act.

(b) Firefighters in Other Cities

The question of comparables regarding firefighters in other cities received considerable attention from both the Union and the City. Numerous problems -- not unique to this particular arbitration, but nonetheless needful of resolution here -- flow from the data submitted. For one, the City and the Union disagree, to some extent, as to the appropriate cities as to which comparisons properly may be drawn. The City points to nine cities; the Union identifies, depending upon the exhibit, as few as six and as many as 19 cities.

Even as to cities upon which both parties agree, there is dispute as to the appropriate salary figures for which they are to be credited. The City argues that only 1985 salary figures should be used; the Union used figures current as of the time of the hearing.

We have concluded that the relevant cities to be looked to are Peoria, Rockford, Springfield, Champaign, Urbana, Bloomington, Pekin, Galesburg, Danville, and Quincy. The comparison cities in part have been selected on the basis of the fact that both parties agree -- as to most of them -- that they are proper for the drawing of comparisons, and in part on the basis of the fact that in terms of geography, size, and/or economic status they appear to us to be comparable to Decatur. All of the cities except Pekin and Quincy are cited by both parties as being comparable to Decatur (although actually Peoria is noted only in one brief respect by the Union, in contrast to the considerably greater emphasis put on it by the City). We include Quincy, a western Illinois city, given that both parties agree that Galesburg, another western Illinois city, as well as Danville --an eastern Illinois city -- are appropriate to include, and they are close to Quincy in size. We also think that Pekin is an appropriate

comparison city: it is closer to Decatur than is Peoria, and in size it matches cities as to which both parties are in accord.

Moline, which was relied upon by the Union, is excluded. For one, Moline's contract had expired at the time of the hearing. In any event, due to (1) Moline's contiguity to three other cities (Rock Island, Bettendorf, and Davenport) which make up one large labor market, presumably, and (2) the lack of data concerning these three cities, Moline is properly excludable. We also have rejected looking to Chicago suburbs. The salary structures associated with contiguity to a major metropolis simply are not comparable to those of Decatur, which is situated in central Illinois at a very considerable distance from any large metropolitan area.^{5/} As to some cities there simply was not enough information offered to make any useful judgments regarding comparability.^{6/} The data as to Normal seemed confusing enough to justify our excluding consideration of it.^{7/}

The cities, and some relevant data establishing their comparability, are as follows:

5/ Thus, we do not take into account the comparisons drawn vis-a-vis Cicero, Aurora, Evanston, Joliet, Arlington Heights, Skokie, and Schaumburg, all referred to in Union Exhibit 15.

6/ Specifically, we note -- and ignore -- the references to E. St. Louis, Alton, and Waukegan, as well as the cities noted in note 5. In any event, these cities are close to major metropolitan areas and so additionally are not reliable comparables here.

7/ The collective bargaining contract for Normal does not have a set salary schedule. Salaries apparently are individually determined. While the Union suggests looking to the salary of one R. Horath, who had 13 years, 11 months of service, as providing a benchmark for inferring what the salary at 15 years would be in Normal, we note that an L. Watson, with 13 years, 9 months of service, was receiving a salary \$2,000.00 in excess of Horath's. Likely, Horath is a firefighter and Watson is not, but the exhibit leaves that uncertain. Moreover, the appendix to the Normal contract which reflects starting wages and wages upon promotion was missing. In any event, the basic problem is the individualized pay system.

TABLE 1

CITY	POPULATION	METROPOLITAN STATUS	LOCATION	PER CAPITA INCOME	PER CAPITA ASSESSED VALUATION	UNEMPLOYMENT RATE (MARCH, 1986)
Peoria	129,000	Central City	Central IL	\$8,422	\$258.46	10.5%
Rockford	139,000	Central City	Central IL	7,849	245.87	10.0%
Springfield	101,000	Central City	Central IL	8,236	257.43	6.9%
Champaign	58,133	Central City	Central IL	8,176	220.86	(
Urbana	35,978	Central City	Central IL	10,088	---	(5.4%
Bloomington	44,189	Central City	Central IL	10,282	279.19	(7%
Pekin	36,967	---	Central IL	---	---	---
Galesburg	35,305	Independent City	Western IL	7,800	216.01	---
Danville	39,000	Independent City	Eastern IL	7,339	241.58	---
Quincy	42,554	---	Western IL	---	---	---

We have endeavored to give credence to both the Union's and City's figures, to the extent they can be meshed. Ultimately, however, some reworking of the numbers — based entirely on the data in the record — has been necessary. Where disparities have existed, we have relied upon the contracts placed into the record. We do not include consideration of holiday pay; that is factored in in the section addressing overall compensation.

As of April 30, 1986, the wage annual rates^{8/} for top firefighter base salaries were as follows.

TABLE 2

Danville	\$21,619
Galesburg	23,492
Quincy	23,625
Decatur	24,763
Springfield	24,132
Champaign	23,635
Urbana	22,712
Bloomington	24,888
Pekin	25,041
Rockford	24,148
Peoria	25,893

Decatur ranks fourth.

8/ We stress that we are only addressing "rates." In fact, Decatur firefighters did not begin receiving pay at an annual rate of \$24,763 until December 26, 1985. Thus, it would be erroneous to understand the above figures as suggesting that for the contract year 1985-86 Decatur firefighters earned \$24,763.

As of May 1, 1986, the annual rates for firefighter base salaries were as follows.

TABLE 3

Danville	\$21,619
Galesburg	23,492
Quincy	24,487
Decatur	25,877 (4.5% increase)
	26,187 (5.75% increase)
Springfield	24,132
Champaign	23,635
Urbana	22,712
Bloomington	24,888
Pekin	25,041
Rockford	24,148
Peoria	25,893

Decatur ranks second if the pay increase is 4.5%, and first if the pay increase is 5.75%.

If one moves to the 15-year veteran's situation, and takes into account longevity pay (which in Decatur means service recognition awards), the rates as of May 1, 1986, are as follows (the parenthetical figure is the longevity rate).

TABLE 4

Danville	\$23,781 (10%)
Galesburg	24,902 (6%)
Quincy	24,487
Decatur	25,927 (4.5% increase)
	26,227 (5.75% increase)
Springfield	25,580 (6%)
Champaign	24,768 (7.5%)
Urbana	24,983 (10%)
Bloomington	27,128 (9%)
Pekin	26,794 (7%)
Rockford	26,876 ^{9/} (6%)
Peoria	27,972 (6%)

Decatur ranks fifth.

The foregoing figures are geared to presenting a picture just as of May 1, 1986. More useful are the figures showing how firefighters will fare during the period May 1, 1986, through April 30, 1987 -- the Decatur contract year. In order for the information to be accurate, one must take into account the scheduled pay raises for other cities during this period. The base salaries, at the top firefighter rate, for this period, follow.

^{9/} At 10 years, Rockford firefighters receive a 5% increase. The base thus, as of May 1, 1986, was \$25,355.

TABLE 5

Danville	\$21,980 ^{10/}
Galesburg	23,492
Quincy	24,487
Decatur	25,877 (4.5% increase)
	26,187 (5.75% increase)
Springfield	24,132
Champaign	23,635
Urbana	22,744 ^{11/}
Bloomington	24,888 + ?
Pekin	25,041
Rockford	24,810 ^{12/}
Peoria	25,893

Decatur ranks second if a 4.5% wage increase is awarded, and first if a 5.75% increase is awarded.

For the 15-year veteran, longevity pay comes into play, and is computed below for the period May 1, 1986 through April 30, 1986, based on the annual base pay for that period. For Decatur, service recognition awards are included.

^{10/} This total reflects 8 months of pay at a rate of \$21,619 and 4 months at a rate of \$22,700.

^{11/} This total reflects 2 months of pay at a rate of \$22,712, 6 months at a rate of \$23,620, and 4 months at a rate of \$24,447.

^{12/} This total reflects 2 months of pay at a rate of \$24,148 and 10 months at a rate of \$24,810.

TABLE 6

Danville	\$24,178
Galesburg	24,902
Quincy	24,487
Decatur	25,927 (4.5% increase)
	26,227 (5.75% increase)
Springfield	25,580
Champaign	24,768
Urbana	26,118
Bloomington	27,128
Pekin	26,794
Rockford	27,355
Peoria	27,972

If a 4.5% pay increase is awarded, Decatur ranks sixth; if a 5.75% increase is awarded, Decatur ranks fifth.

If one computes the totals for Decatur based on the longevity plan proposed by the Union, Decatur firefighters with 16-20 years of service receive an increment of 3%. The totals thus change as follows:

Decatur	\$26,605 (4.5% pay increase)
	26,973 (5.75% pay increase).

Decatur's rank then would be fourth if the 4.5% increase were awarded, and third, if the 5.75% increase were awarded.

Two more calculations can be made. Both are based on the assumption that

the Union's proposed longevity plan is awarded. This plan calls for a 1% increment for firefighters with 6 to 10 years of service, and a 2% increment for those with 11 to 15 years. The following chart is based on the situation after the fifth and tenth years, and reflects contract year 1986-87 base pay plus longevity for all the cities:

TABLE 7

	<u>Year 6</u>	<u>Year 11</u>
Danville	\$22,420	\$23,079
Galesburg	23,962	24,432
Quincy	24,487	24,487
Decatur	25,276 (4.5% increase)	26,395
	26,449 (5.75% increase)	26,711
Springfield	24,374	24,977
Champaign	24,226	24,317
Urbana	24,219	26,118
Bloomington	26,132	26,630
Pekin	26,293	26,543
Rockford	25,306	26,838 ^{13/}
Peoria	26,411	26,929

At the sixth year, Decatur ranks fourth if the increase is 4.5% and first, if it is 5.75%. At the eleventh year level, Decatur ranks sixth if the increase is 4.5%; third if the increase is 5.75%.

^{13/} This figure reflects the percentage increase in base pay received in the tenth year.

On the basis of our examination of comparable cities, we find that a wage increase of 5.75% is not justified. As of April 30, 1986, Decatur ranked fourth in the rate of annual pay. By virtue of a 4.5% increase for the 1986-87 contract year, Decatur rises to second, both in terms of the rate of annual pay (see Table 3), and in terms of actual pay for the year (see Table 5). That rise in ranking establishes that the 4.5% increase is an ample one. It is true, of course, that when longevity pay is factored into the computations, the Decatur firefighters' rankings slip, at the sixth, eleventh, and fifteenth years. We view this slippage, however, as a function of the disparity between Decatur and the other cities regarding the receipt of longevity pay. It is not a function of the base salary schedule.

(c) Other Public Employees in Other Communities

No evidence was offered by the Union regarding the salaries paid to public employees other than firefighters in other communities. The City did offer some evidence pointing out that, on a national basis, police receive greater compensation than do firefighters. For all United States cities, the mean maximum salary for police is \$21,691; the mean maximum for firefighters is \$20,534. (City Exh. No. 44). In addition, the City introduced evidence regarding cities of 50,000 to 99,000 in population; as to these, again firefighters have a lower maximum salary than do police. However, comparable evidence regarding police and firefighters in the Illinois cities used for comparison purposes here was not introduced.

While the City's evidence is not specific in terms of the particular Illinois cities against which Decatur is being matched, the evidence nonetheless is somewhat probative. And its thrust is to establish that a salary increase which

would lift Decatur firefighters above Decatur police would be contrary to the national practice. We accordingly find that general statistics regarding police salaries dispute the award of the Union's offer, but only very slightly so, given the generality of these figures and the lack of their focusing on Illinois.

2. The Cost of Living

The statute instructs that one of the factors to be addressed is the average consumer prices of goods and services. It is generally agreed that the date of the last arbitration award or of the parties' last wage negotiations is to be used as the base date. Elkouri & Elkouri, How Arbitration Works 821 (4th ed. Washington: BNA 1985); Los Angeles Transit Lines, 11 LA 118, 130 (1948). Presumably, cost of living concerns prior to that date were taken into account in arriving at the contract negotiated by the parties. Here, the parties signed the existing contract in June, 1983. Thus, the relevant periods for consideration are the last half of 1983, 1984, 1985, and the beginning months of 1986.

Both the Union and the City submitted exhibits reflecting the Consumer Price Index for Urban Wage Earners. The Union also submitted data derived from the Consumer Price Index for Urban Consumers. We use the former. The CPI-W for the relevant periods were as follows:

July - December, 1983	2.7%
1984	3.4%
1985	3.5%
Jan. 1 - Mar. 30, 1986	2.9%

The figures also can be more usefully set forth in terms of the annual contract periods involved in the Local 505 contract -- e.g., May 1 through April 30:

May 1, 1983 - April 30, 1984 3%

May 1, 1984 - April 30, 1985 3.5%

May 1, 1985 - March 30, 1986 3.3%.^{14/}

Thus, since the last contract was signed, the cost of living has gone up by a total — computed in simplistic terms by simple addition — of 9.8%.

Decatur firefighters received no pay raise for the period April 1, 1983 - April 30, 1984. They received a 4% increase effective May 1, 1984, and another 4% increase effective November 1, 1984, equalling for the contract year an increase of 6.1%. They received another 4% increase, effective December 26, 1985, through April 30, 1986, which works out to an effective rate of 1.33%, since the increase only applied for one-third of the contract year. Thus, for the contract years 1983-84, 1984-85, and 1985-86, the Decatur firefighters received a total in increases of 7.4%.^{15/} The consequence is that the increase in salary for Local 505 members trailed the increase in the cost of living by 2.4

^{14/} The Union offered no data regarding the CPI for 1986; the City did, however, and so we feel justified in addressing the January through March, 1986, period. However, we cannot accept the City's figure of 1.9%, which in Exhibit 29 the City represents as being the cost of living change for the 12-month period ending March, 1986. In fact, this was the cost of living increase just for the one month of March. We take note of the commonly available CPI figures and point out that the cost of living increase for January, 1986, was 3.7%, and for February, 1986, it was 3%. The average of 1.9, 3.7, and 3 is 2.9. This, then, is the correct figure to use for 1986. That, combined with the monthly increase for May - December, 1985, leads to a total rise of 3.3%.

^{15/} The City comes up with considerably different numbers. In its Exhibit 29, it reports that the total of wage increases for the period April, 1983, through March, 1986, was 12%. It arrives at this figure by computing the two 4% increases in the May 1, 1984 - April 30, 1985, period as constituting 8%. Since the latter of the two increases was only in effect 1/2 of a year, the 8% total simply is inaccurate. In addition, the City reports a 4% increase for the 11-month period running from May, 1985, through March, 1986. As noted above, in fact that increase did not take effect until the end of 1985.

points.^{16/}

While one cannot predict the CPI for the remainder of 1986, it seems safe to expect some rise. Given that likely rise, plus the propriety of playing 'catch-up' for the shortfall in prior years, the Union's proposal is -- on the basis of the cost of living criterion -- the possibly more appropriate one. We would note, however, that the inflation rate has been low in recent months, and thus it is well possible that a 5.75% increase could exceed the cost of living rise for contract year for 1986-87. Thus, we find that the cost of living factor only slightly favors the Union offer over the City offer.^{16A/}

3. The Overall Compensation Presently Received by Local 505 Members

Subsection (6) of Section 14 of the Illinois Public Labor Relations Act directs the arbitration panel to consider, insofar as it is applicable, the overall compensation received by members of Local 505, "including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received." We already have addressed the matter of direct wage compensation. We will address in Part V of this opinion the question of longevity pay, which is before the panel by virtue of the impasse arrived at by the Union and the City. We note here that in assessing the adequacy of a 4.5% pay raise, as opposed to a 5.75% increase, the matter of

^{16/} As noted in note 15, the City inaccurately inflates the pay increases received. It also uses the Chicago CPI index for comparison purposes. We do not think that is the appropriate index. Moreover, even in using that index the City errs, since it asserts that the increase for the 12-month period ending March, 1986, was 1.6%, when in fact that likely only was the increase for the month of March, 1986.

^{16A/} If we used the CPI-U index, the gap between wage increases and CPI rises would be somewhat greater.

longevity pay cannot be ignored. Necessarily, what ultimately is at issue is the amount of compensation received by Local 505 members or, to view the matter from the perspective of the City, the costs incurred, no matter the label attributed to the particular elements of compensation.

Insofar as vacation and leave time are concerned, as well as the formulae for determining eligibility for, and the amount of, non-FLSA overtime pay, neither the City nor the Union addressed themselves to these matters save for the Union's submission -- without explanatory information -- of the contracts of the various cities. While the panel has not undertaken to independently draw detailed comparisons between Decatur and the comparable cities regarding these compensation factors, we have no testimony or argument before us that Decatur firefighters are treated in a notably disadvantaged manner which calls for an enhanced pay increase to offset this imbalance. Nor do we have any testimony or argument before us that Decatur firefighters are treated in a notably advantaged manner which calls for a diminished pay increase.

Unlike firefighters in a number of cities, Decatur firefighters receive no clothing allowance. Nor do they receive holiday pay, which is paid to firefighters in some cities. Instead, they receive four leave days annually.

Decatur firefighters do receive FLSA overtime pay, as a result of the overruling of National League of Cities v. Usery, 426 U.S. 833 (1976), by the Supreme Court in Garcia v. San Antonio Metropolitan Transit Authority, 105 S. Ct. 1005 (1985). This pay had not been received for a number of years. Because of the reinstitution of FLSA overtime pay, Decatur firefighters effectively have received a pay raise, so the City argues, which amounts, at 1984 pay rates, to

an average of \$322.79 annually.^{17/} The Union argues that it would violate public policy to in effect 'hold this against' the firefighters for the purpose of considering whether the 5.75% offer should be awarded. We disagree. FLSA overtime pay constitutes an added compensation cost to the City. Moreover, it is a relatively stable, constant cost so long as Decatur firefighters work a 56-hour week, as their contract provides. This pay at the same time can be a relatively stable, constant element of compensation for the firefighters.

It is also relevant to note that Decatur firefighters receive service recognition awards, which commence after the fifth year on the job and which amount to \$5.00 for each year in excess of five. Thus, a 15-year man receives an annual award of \$50.00; a 20-year man an award of \$75.00. These awards are, in our view, so minimal as to not constitute a basis for denying the Union's proposal, assuming that there are valid justifications for otherwise awarding the 5.75% increase.

Pension benefits for Decatur firefighters are in line with those provided Decatur police. In terms of per employee costs, Decatur ranks above both the mean and the median, and is exceeded only by Galesburg and Rockford insofar as comparison cities are considered.^{18/}

All cities pay 100% of the group health insurance premium for their firefighters. However, a number also pay 100% of the premium for dependents. In Decatur, however, the present plan only provides for the payment of 64% of the costs of dependent coverage. Disability benefits for Decatur firefighters

^{17/} We do not know if firefighters in comparable cities also receive FLSA overtime pay. We do note that the firefighters in Champaign, Urbana, and Quincy also work 56-hour weeks.

^{18/} In the list of comparable cities addressing pension costs which was submitted by the City, Quincy -- used here for comparison purposes -- was not included. Normal, which we have excluded, was included on the City's list. City Exh. 41.

exceed those for Decatur police -- a firefighter disabled in the line of duty receives 65% of his salary, plus \$20 monthly for each dependent child, whereas the police do not receive the dependency coverage.

Finally, insofar as stability and continuity of the job are concerned, there can be little question that firefighters generally are in a comfortable position. No municipality is going to forego the safeguard of having a fire-fighting force of some sort. No inventions loom on the horizon which are going to put firefighters out of work. More specifically, the Decatur Fire Department is not reported to have undergone any significant reductions in force, even during the recession years of the early 1980's. Moreover, the evidence discloses that the department has experienced a very low turnover rate: there is no significant history of large scale exoduses -- voluntary or involuntary -- of firefighters.

We find that some deficiencies support -- to a minor extent -- a 5.75% increase, rather than a 4.5% increase, and some plusses do not. Our ultimate finding is that the total compensation package provided Local 505 member is not so paltry as to justify a 5.75% pay increase. While this is particularly so given our award of the Union's proposed longevity pay scheme, even apart from that increase in longevity pay our conclusion would be the same.

4. The Public Interest and the Ability to Pay

It is generally recognized that "large profits do not alone justify demands for wages substantially higher than those which are standard within an industry and that small profits do not justify the payment of substandard wages." Elkouri & Elkouri, How Arbitration Works 825 (4th ed. Washington: BNA Books 1985). The observation of the panel in State of Connecticut, 77 LA 729, 732 (1981),

further emphasizes this point:

A claim of inability to pay ordinarily is a type of affirmative argument that would be applicable only if it were initially determined that, on the merits, the arguments of the Bargaining Groups were valid, i.e., that the present ... system should be continued and improved. A state's inability to pay cannot be the starting point of any analysis; the fact that a state may have a large budget surplus, in and of itself, would not justify an improvement in fair and adequate benefits. Similarly, budgetary problems, in and of themselves, would not justify reducing benefits, as opposed to social programs or other state services, if those benefits were found to be reasonable and appropriate in light of all relevant circumstances.

Ability to pay is -- even apart from the statutory mandate to consider the issue, such as exists here -- of course a recurring issue in interest arbitrations. Typically, it is the employer which makes what more properly should be termed an 'inability to pay' defense. Here, however, the City in fact does not make a "strict 'inability to pay' argument." (City Br., at 32). Indeed, the City acknowledges that it can afford the additional amount attributable to funding the Union's final offers regarding both a 5.75% pay increase and the institution of longevity pay. However, the City limits this acknowledgment by asserting that these additional expenses would cause it serious strains. The City asserts that "the interests and welfare of the citizenry of the City of Decatur would not be well served by placing the kinds of strains on the City's budget

that the Union's offer and its necessary fallout [in terms of future increased demands by other employees -- most particularly the police --] would cause."

(City Br. at 33). In developing this argument the City points to several factors:

- high unemployment in Decatur;
- a declining, or at least stagnant, tax base, both in terms of property taxes and sales taxes;
- the need to attract new businesses and to retain existing businesses, which necessitate maintaining an economic climate which encourages economic development -- a goal ill-served by raising taxes to fund new expenses;
- the loss of federal dollars which previously have played a significant role in the City budget;
- looming deficits in future fiscal years, which would be exacerbated by the Union's offers and their fallout (e.g., the increased demands of other employees).

Since the City agrees that it has the ability to pay, the Union's arguments in support of the same proposition actually most directly are relevant with regard to the extent of the strain which a 5.75% increase would put on City finances. The Union's expert witness, Edward J. Fennell, pointed to the fact that the City has not negatively distinguished itself from other cities; that is, the City has not shown that it is in any significantly worse financial condition than are a host of other communities. In particular, the Union focused on the fact that the City annually carries over from one fiscal year to another a surplus; in other words, not all the funds budgeted in a given fiscal year are spent, with the result being that there is a surplus which is then factored into the next year's budget. Given this surplus, the Union contends that the City

can indeed afford to fund its final offers regarding both increased salary and longevity pay.

The City argues that the Union's view of these surpluses is too simplistic. The 'surpluses' are the consequence of the City's insistence that each department not spend over its allotted budget. The result is that each department head takes a very careful approach, with the ultimate result being that, in an effort not to overspend, the various departments underspend. These surpluses are expected each year, and so hardly can be characterized as windfalls. Because surpluses are expected, each annual budget is premised on the expectation of a surplus carry-forward from the preceding fiscal year. If that surplus is not available for inclusion in the entire general budget, but rather is dedicated in whole or in part to a specific item — such as firefighters' salaries, the City then would have to come up with revenue from some other source to replace the 'surplus' hitherto regularly counted on each year.

The City also contends that much of the monies lumped together as a 'surplus' in fact are not available for the funding of salaries, but rather are budgeted for specific subcategories which simply are not reflected in the gross accounting which lists surpluses. In support generally of the wisdom of its budgeting practices, the City put on an expert witness, Dr. John Whitmer, who testified to the soundness of these practices. Another City witness testified that the budget deficits projected for fiscal years 1987-88 and 1988-89 actually may be too low, given that they are based on very optimistic projections of increased sales tax revenues and low inflation rates.

We view the City's characterization of the carry-over moneys as the more appropriate one. There is no question that over the years the City has experienced a situation whereby revenues received have outstripped moneys spent. How-

ever, the trend is in a more pessimistic direction. Moreover, these carry-over moneys are anticipated in the normal course of budget-making, and indeed are spent in the year following the surplus. However, even crediting the City's characterization, when all is said and done both parties are in agreement that the City -- in terms of the bottom line -- is able to afford the 5.75% increase.

Characterizations of moneys aside, it is the matter of the public interest which basically is at issue here. We conclude that Decatur's officials have put forth legitimate concerns regarding the present and future economic circumstances of the City. But we also conclude that the public interest of the citizenry of Decatur in part depends upon the well-being of its essential public servants -- the firefighters. Moreover, we further recognize that public employees are always going to be confronted with the argument that other concerns -- taxpayer resentment regarding increasing taxes, business resistance to higher taxes, and so on -- preclude, or place limits on, salary increases. The expenditure of money 'hurts', unfortunately. No one has yet devised a financially painless way of running government.

A balance between competing legitimate concerns -- geared to a standard of reasonableness -- ultimately must be struck. This balance cannot be struck in isolation; we must take into account other factors -- those, actually, which are prescribed by the statute. We find that the 4.5% increase is, given all the considerations, the more reasonable of the two offers.

5. Other Factors

There are some other factors deserving of attention. Evidence was adduced both by the Union and the City regarding the rigors and dangers of firefighting

generally, and firefighting in Decatur, more specifically. As to the latter, the evidence consisted of statistics and other materials regarding the typical duties of Decatur firefighters; the number of alarms; lost work days due to on-the-job accidents; and so on. We have carefully considered this evidence, and the responses to it.

We clearly recognize that firefighting is a rigorous occupation. Firefighters fulfill an essential role in the community. Having said that much, we find nothing in the special role of Decatur firefighters which in and of itself warrants an increase in excess of 4.5%.

Another factor of concern is the question of parity with the Decatur police. This subject in part has already been addressed, in effect, in the context of our considering the City's public interest arguments. Since the breaking of parity likely will lead — so the City argues (and we agree) — to increased demands by the police, the ultimate budgetary impact of a 5.75% pay increase award here will extend beyond just the dollars and cents paid to firefighters. This is one of the budgetary strains to which the City referred in the context of arguing that the public interest would not be served by a 5.75% pay increase for the firefighters.

The Union does not dispute the argument that the increases could lead to enhanced demands by the police. The Union does question, however, whether in fact the two forces are in parity. While the pay ranges for the police and firefighters are the same, firefighters work many more hours during the year than do police. Thus, in terms of hourly rates, police are paid at the rate of \$11.90 an hour, while the firefighter receiving the top base pay only makes \$8.50 an hour.

It is our view that parity does exist in a couple of respects. For one, it

is clear that in terms of contracts the police and firefighters have marched in lockstep over the years regarding percentage increases. Moreover, the pay ranges of the two forces are in parity. We do not think a comparison of hourly rates is very useful, since the firefighter spends a number of his duty hours sleeping or otherwise relaxing, and it would not therefore be accurate to reason that the firefighter works a 24-hour day in the same way that a policeman works an 8-hour day. Perhaps a firefighter should be credited with working more than 8 hours per 24-hour shift, but we are not prepared, nor do we think we should undertake, to determine where the right number — somewhere between 8 and 24 — lies.

We also conclude that in any event the breaking of parity — if that is what a 5.75% increase would constitute — is not determinative.^{19/} The fact that the police in Decatur were willing to agree to a pay increase which the firefighters were not willing to accept does not mean that a 5.75% pay increase is unjustified. It only means that the police were willing to accept what the firefighters were not. The firefighters should not be inextricably bound to the decision of the police force members. We do not mean to suggest that parity is an unimportant concern. It is not a dispositive one, however.

We would note, also, that the Union offered evidence regarding the salaries paid to various workers in private industry in Decatur. This consisted of the basic hourly wage rates for a number of generic occupations, such as plumbers and electricians, and for employees in some of the major companies in the City.

^{19/} The police accepted and received a 4% pay increase retroactive to May 1, 1985. The Union, however, did not enter into an agreement with the City and so, when the City Council unilaterally adopted a 4% increase for the firefighters for 1985-86, that increase was not made retroactive. Consequently, the firefighters only received the 4% increase effective December 26, 1985. One could argue that the City thereby broke the parity relationship which hitherto had existed.

The Union exhibit showed that plumbers/steamfitters make \$19.70 per hour; electricians make \$18.50 per hour; employees at Caterpillar Co. make \$13.87 an hour; and so on down to City firefighters, who are paid at a rate of \$8.50 per hour. Standing alone and unanalyzed, this evidence supports the proposition that firefighters are underpaid. This data, however, cannot be credited without some analysis, and that analysis leads to the conclusion that the data are unpersuasive in supporting the Union's position regarding a 5.75% increase. For one, the data simply are too scanty, since there is no information regarding conditions of work or fringe benefits. A self-employed electrician earning \$19.70 per hour who has to pay 100% of his health and life insurance premiums, as well as overhead expenses, obviously winds up with an effective hourly wage much less than \$19.70. Second, the data do not take into account the seasonal nature of the work done by electricians, carpenters, and even teamsters. A steady, year-round job at \$8.50 per hour may be more valuable than a job which pays \$16.25 an hour -- the rate for carpenters -- but which is non-existent for six months of the year, when bad weather or high interest rates or whatever close down construction activity. See Consolidated Edison System Cos. of New York, 6 LA 830, 834 (1952); Yakima Cement Products Corp., 3 LA 793, 796 (1946).

Finally, we note that there was some evidence regarding wage increases in other cities. However, we did not find the City's exhibit regarding this issue, Exhibit 51, to be sufficiently elucidating on the matter so as to afford us adequate guidance.

C. Concluding Findings Regarding the Wage Increase

As is to be expected, there is no one factor which is dispositive of the wage increase issue. A number of factors -- which are identified by the Illinois Public Labor Relations Act, but which would be relevant even if there were

no statutory listing of criteria — come into play. Our conclusion is that the City's final offer is reasonable and appropriate, in light of all the factors which we have discussed in the foregoing analysis. Consequently, we award Local 505 a pay increase for the 1986-87 contract year of 4.5%.

In reaching this conclusion we find the following:

- Decatur firefighters are paid well, in terms of comparisons with firefighters in other communities.
- While Decatur firefighters have lagged somewhat behind in terms of the cost of living, the lag is not an extreme one, and may well be made up in good measure by even a 4.5% pay hike if inflation remains — as it is now — low.^{20/}
- The total compensation package received by Decatur firefighters does not warrant a higher increase.
- Parity, while not a sacred concept which must remain inviolate, has a long history in Decatur and the breaking of parity would have financial consequences going beyond just the dollar and cents issues involving the firefighters and their 1985-86 contract. However, in and of itself, the breaking of parity is not a sufficient basis for denying the Union offer.
- The City of Decatur, while not unable to pay the increase

^{20/} We note that had the firefighters negotiated a contract, as did the police, they would have received a 4% increase for the entire 1985-86 contract year. They consequently would have received total increases of 10.1%, which would have placed them just slightly ahead of the cost of living increase for the period July, 1983 - March 30, 1986. We do not mean to suggest that the Union acted improperly in rejecting the City's offers; we only mean to point out that the City has not made offers which are particularly objectionable. Of course, the City ultimately unilaterally imposed the 4% increase without making it retroactive to May 1, 1986.

sought by the Union, confronts economic problems and difficulties of considerable dimension. The unemployment rate of Decatur outstrips that of other, comparable cities. While Decatur can afford the pay increase, these problems cannot be ignored. And though they are not sufficient in and of themselves to militate against the increase sought by the Union, they are supportive of the lesser increase offered by the City.

-- A main argument for justifying the higher award is the relative decline in rank of Decatur as compared to other cities over time. A percentage increase of 5.75% obviously in part would ameliorate this decline -- or at least prevent Decatur firefighters with long tenure from slipping further behind other senior firefighters in other cities. But, in fact, senior firefighters -- whose experience certainly should be acknowledged, rather than disputed or discounted -- already rank in the middle of the 11 cities analyzed here. What is more, the claim for a 5.75% pay increase is even less justified for newer firefighters, who rank very high among the comparable cities.

V. LONGEVITY PAY^{20A/}

A. The Parties' Arguments

The Union's final offer calls for the institution of a system of longevity pay, which the Union's expert witness characterized as being pay keyed to length of service and which serves the ends of retaining and rewarding people with

^{20A} Panel member Landholt dissents from this portion of the Opinion.

experience. The Union's position is that firefighting capabilities improve with experience and that there should be recognition of this fact. With regard to the factor of productivity being an arguably more progressive basis for salary increases, the Union's witness testified that the only true measures of productivity for firefighters are (1) whether disasters are prevented and (2) the "attack, extinguishment, and containment of those natural or man-made disasters."

In further support of its proposal, the Union points to the fact that in most of the comparable cities there is a system of longevity pay and that those systems pay significant amounts of money to firefighters with long tenure. The Union's expert also pointed out that 79% of the cities in Illinois have longevity plans for their firefighters.

The City argues that insofar as the purpose of a compensation plan is to attract and retain employees, longevity pay is unneeded in Decatur, given the data showing that there has been no difficulty in attracting competent applicants and that there is very low turnover in the department. Accordingly — and as its expert, Dr. David Lewin, testified — there is no need for the institution of an enhanced longevity pay scheme. Moreover, the City contends, longevity pay is inconsistent with modern pay trends, which are "moving in the direction of notions of ability to pay and, where measurable, productivity..."

(City Br., at 20). Further, while longevity is geared to years in service, the data suggest that job performance reaches a peak and then deteriorates some years before retirement, and so longevity pay conflicts with the management concept of rewarding productivity. Finally, the City argues that rewards based strictly on time-in-grade may have the negative consequence of operating as disincentives to seeking promotion.

There is one further, and different, element of dispute between the parties. The City maintains that the Union's final offer does not provide for the abolition of service recognition awards, and so what the Union is really proposing is that Local 505 members receive both these awards and longevity pay. The Union, on the other hand, contends that its offer regarding longevity pay does entail the supplanting of the awards with that pay. While it is of course clear that a final offer is just that -- "final," and it is also true that the parties stipulated that a last offer of settlement, once submitted, would not be subject to change, it is also true that there sometimes may be ambiguity as to what an offer entails. If one assumes that from the Union's perspective service recognition awards are a form of longevity pay, then the Union offer's silence regarding the awards makes sense: they were not mentioned because, by virtue of the Union's proposing the plan it did, it automatically followed that the old plan was superseded. This, in our view, is a legitimate reading of the Union offer, particularly in light of the fact that Union Exhibit 12 -- introduced on the first day testimony was taken and thus prepared prior to this dispute first arising on the same day -- designates the \$5.00 annual awards as longevity pay. We conclude, therefore, that the Union's final offer contemplates a plan which replaces the service recognition award system.

The City submitted evidence that the cost of the Union's longevity plan (presumably for contract year 1986-87, rather than calendar year 1986) would be \$73,843.00. This figure was based on the assumption that the plan would be geared to salaries reflecting a 5.75% increase. (In arriving at its total, the City calculated that 94 employees would receive longevity pay; the Union's exhibit, however, was premised on 89 employees receiving the new pay. We have no way of resolving this difference in the numbers). The Union's exhibit re-

ported that the cost of longevity pay, assuming a 5.75% salary increase, would be \$65,465.00. If one assumes a 4.5% increase, the Union figure is less: \$64,693.24. From these totals the Union further noted that there would have to be a subtraction of \$7,960.00, which is the cost currently of the service recognition awards, which are being supplanted — according to the Union's offer — by the new longevity pay plan. Thus, according to the Union the total cost for the new plan, based on a 4.5% pay increase, would be \$57,273.00. This, of course, does not take into account the pension impact of the increased pay. Since the City pays into the pension fund 35.8 cents for each dollar of salary, the pension increase would be \$20,509.00, for a total cost of \$77,782.00.^{21/} (The cost for calendar year 1986 would only be two-thirds of this amount, which is \$51,855. In calendar year 1987, of course, the full impact of the new longevity pay schedule would be felt by the City).

B. Application of the Statutory Criteria to the Longevity Pay Issue

As with regard to the wage increase issue, the first, second, and seventh criteria set forth in the Illinois Public Labor Relations Act are not applicable here.

1. Comparisons With Other Cities

The same cities used earlier for comparison purposes are used here. Of the 10, all but Quincy have a longevity plan. Since the service recognition award system which currently exists vis-a-vis Local 505 members can be characterized as a kind of longevity plan, Decatur cannot be distinguished from comparable

^{21/} These figures are based on the 89-employee figure used by the Union; the total of course would be larger if the City's figure — 94 — is used.

communities by virtue of not having any plan whatsoever. However, examination of the format of these plans reveals the enormous gap which exists between Decatur and the nine other cities with longevity pay systems. An outline of the plans follows.

TABLE 8

Bloomington	After 5 years—5%; after 10 years—7%; after 15 years—9%; after 20 years—11%; after 25 years—13%; after 30 years—15%
Rockford	After 5 years—2%; after 10 years—4%; after 15 years—6%; after 20 years—8%; after 25 years—10%
Champaign	After 5 years—2.5%; after 10 years—5%; after 15 years—7.5%; after 20 years—10%
Springfield	After 5 years—2%; after 10 years—4%; after 15 years—6%; after 20 years—8%
Galesburg	After 5 years—2%; after 10 years—4%; after 15 years—6%; after 20 years—8%; after 25 years—10%
Urbana	After 2 years—2%; after 4 years—4%; after 6 years—6%; after 8 years—8%; after 10 years—10%
Pekin	After 5 years—5%; after 10 years—6%; after 15 years—7%; after 20 years—8%
Peoria	After 5 years—2%; after 10 years—4%; after 15 years—6%; after 20 years—8%
Danville	After 4 years—2%; after 10 years—5%; after 15 years—10% ^{22/}

22/ The City exhibit sets forth a different scheme; however, the City offered no documentary material supporting its exhibit. The Union submitted the Danville contract, and the above figures are taken from that contract. The above figures depart from the Union's own exhibit listing the various longevity plans -- Union Exh. 19 -- in one regard: the Union exhibit has longevity pay beginning after the fifth year, whereas the contract actually provides that longevity pay of 2% shall be paid for years "5 to 10." (Danville contract, Art. IX, § 3).

Under the Decatur plan, as earlier noted, no percentage approach is used: the Local 505 member receives \$5.00 for each year of service after the first five years of employment as a firefighter. The Union offer entails the following schedule:

After 5 years—1%; after 10 years—2%; after 15 years 3%; after 20 years—4%.

Because all the plans of the comparable cities, as well as the Union offer, are constructed on a percentage basis, the actual dollar value of each plan is contingent upon the salary being paid firefighters in the different communities. To more easily appreciate the comparative values of the different plans we can simply set an arbitrary hypothetical salary structure and assume it would apply in every city. Thereby, we can rank the plans in terms of an abstract ordering which is not dependent on the variations in salary. Thus, if one assumes that a firefighter is paid a hypothetical top base salary of \$20,000 starting in the sixth year of his employment, the longevity pay for the various cities would be as follows.

TABLE 9

	Year 6	Year 9	Year 11	Year 16	Year 21	Year 26	Year 31
Bloomington	\$1,000	\$1,000	\$1,400	\$1,800	\$2,200	\$2,600	\$3,000
Rockford	400	400	800	1,200	1,600	2,000	2,000
Champaign	500	500	1,000	1,500	2,000	2,000	2,000
Springfield	400	400	800	1,200	1,600	1,600	1,600
Galesburg	400	400	800	1,200	1,600	2,000	2,000
Urbana	800	1,600	2,000	2,000	2,000	2,000	2,000
Pekin	1,000	1,000	1,200	1,400	1,600	1,600	1,600
Peoria	400	400	800	1,200	1,600	1,600	1,600
Danville	400	400	1,000	2,000	2,000	2,000	2,000
Decatur	200	200	400	600	800	800	800

Clearly, in an absolute sense — that is, not taking into account the variations in base salaries among the cities — the Union proposal puts forth the most modest version, by far, of any longevity plan.

Of course, we need not stop with just considering a hypothetical pay structure. Referring back to Table 6 and the discussion following it, and taking into account the 4.5% salary increase which we today award, the proposed Local 505 plan yields a total, after 15 years, of \$26,605.00 for the 1986-87 contract year. This results in Decatur ranking fourth out of 11 cities, which is exactly where it ranked in terms of base salary as of April 30, 1986 (See Table 2) and two rankings above where it places for the 1986-87 year if the current service recognition award system is retained. (See Table 6). Thus, the award of longevity pay hardly could be characterized as working some massive shift, the

dramatic extent of which would suggest the impropriety of the award.

We find that, on the basis of the comparability factor, there is very strong support for the Union offer, and virtually none for the City offer.

2. The Cost of Living

In Part IV of this Opinion we reviewed the relevant cost of living figures. As noted there, the increase in salaries paid to Local 505 has not kept pace with the increase in the cost of living during the period July, 1983, through March, 1986. While the cost of living rose by 9.8%, salary increases amounted only to 7.4%. The 4.5% increase which the panel has awarded may well make up the ground which the firefighters have lost in the last three contract years. Still, that cannot be known for a fact, since rises in the cost of living over the remaining months of 1986-87 contract year necessarily remain unknown to us. Given the likelihood of some rise in the cost of living, plus the propriety of playing 'catch-up' for the shortfall in prior years, the Union's proposal is — on the basis of the cost of living criterion — the more appropriate one. We would note, however, that the inflation rate has been low in recent months and we further note that the firefighters will be receiving a 4.5% pay increase. Thus, we find that the cost of living criterion — while supportive of the Union's position — is only very mildly so.

3. The Overall Compensation Presently Received by Local 505 Members

We already have discussed, in Part IV of this Opinion, the various elements of the compensation package provided Local 505 members. We need not review those elements here. However, what does call for attention is the base wage rate of Decatur firefighters. As discussed in Part IV, Decatur firefighters are

well compensated — at least as compared to firefighters in other cities. The flaw, if such is the correct term (and we assume the City would dispute this characterization), is that older firefighters do not receive a special increment (save for the miniscule service recognition awards) which rewards them for their long service and recognizes the value of their expertise.

One could conjecture that if the base salaries were higher the question of longevity pay might be moot, since Local 505 members would take home greater earnings and thus would not seek longevity pay. We have found, however, that indeed the base pay rate is not inadequate and that the 4.5% increase offered by the City is to be awarded. Here, we likewise find that the firefighters' overall compensation package — apart from longevity pay — is adequate. If the Union's longevity pay plan is to be awarded, its justification will have to be found elsewhere.

4. The Public Interest and the Ability to Pay

We have discussed, in Part IV of this opinion, the question of ability to pay. We do not think that that discussion need be repeated here. The City concedes that it can afford the Union's longevity plan, but asserts that the award of that plan will result in serious financial strains being put on the City. We stress that we are sympathetic to this concern. But unless we are prepared to adopt as a general principle the notion that governmental entities should never have imposed upon them through interest arbitration any added costs, we must look beyond the incantation of financial difficulty. Indeed, we are not prepared to adopt that principle. This is so not because we do not think that the expenditure of taxpayers' moneys should be treated lightly. Rather, we reject the principle because it carries with it destruction of the viability of inter-

est arbitration: since financial difficulty is a recurring theme in arbitrations, it would follow that acceptance of the principle would doom employees' claims in every instance.

Of course, the fact that the City has, in the narrowest sense, the ability to pay does not necessarily mean that the public interest would be served if it were forced -- by our award -- to pay. 'Public interest' must mean something more than 'ability to pay.' If it did not, then this criterion's placement in the Illinois Public Labor Relations Act simply would be a redundancy. The public interest criterion requires us to take a broader view, and within that broad view we must take account of the interests of all members of the public -- including public employees. While we do not pretend to be industrial management specialists, the issue before us requires us to make a choice as to the wisdom of instituting a financially meaningful longevity pay system. The final offer approach requires either a yea or a nay on our part.

Firefighters, the particular public employees involved directly here, perform an essential public function, and their experience in doing so over time merits recognition. We reject the undocumented notion that longevity pay is inappropriate because it rewards declining, rather than improving, performance. For one, we are reluctant to conclude that performance declines with age -- at least absent specific evidence to that effect. Individuals' performances vary with age, and with the functions they are called upon to perform. Declines in physical capacity may be offset by the advantages experience affords. Second, we find it difficult to credit the notion that a 40-year-old with 15 years' experience, or even a 50-year-old, is skidding down a slope of declining performance which makes rewarding his years of service inappropriate. Third, we think that the very fact that older employees obtain promotions shows that the

City itself recognizes that performance can improve with time.

We do not view low job turnover in the Fire Department as particular justification for denying longevity pay. A firefighter with considerable years of experience -- say, 15 or 20 -- may well have difficulty moving to another job. Rather than satisfaction with his present compensation system being the force keeping him in place, other factors -- general age discrimination in society, roots in Decatur, family needs, etc. -- likely will militate against job mobility. True, whatever the reason for low turnover, the bottom line is that Decatur firefighters are staying on and so longevity pay is not needed, apparently, as a mechanism for retaining them. Nonetheless, good management practices and the principles involved in collective bargaining do not necessarily join in sanctifying the notion that an employer should be able to do as little for its employees as its employees' dim alternate job prospects let it.

We recognize that productivity is a good basis for compensation, and that longevity pay is not literally based on productivity. However, we are not sure that productivity even is particularly measurable regarding the occupation of firefighters. Moreover, often in a compensation scheme salaries do not adequately compensate for productivity in the early years of employment. This underpayment eventually is offset in later years through such devices as longevity pay. In any event, the city already apparently is committed to a compensation scheme which does not credit productivity, since the base pay is the same for all firefighters after the fifth year and there is no mechanism for rewarding productivity by way of wage hikes or otherwise.

We fully appreciate that the institution of the Union's proposed plan would constitute a significant new expense for the City, and that the precedent set may carry over to demands made by other employees. We also appreciate that De-

catur indeed is suffering economic problems. The record makes clear that the costs of the Union plan will 'hurt'. But we do not know what, if anything, the City will have to trade off against the increased compensation, and so we must choose between, on the one hand, a specific, clearly substantiated claim by the Union to something virtually every other comparable city offers and a generalized claim, on the other hand, that the City does not want to pay because it has other (no doubt reasonable) needs for the financial resources at issue. We do not suggest that the only time a Union demand will be denied is when the 'hurt' reaches an extreme. Nor do we expect detailed itemization of where the money at issue would go if not paid to the firefighters. But we must reach a conclusion based on what we have before us. We apply a standard of reasonableness, taking into account the multiple, sometimes conflicting, concerns which make up the public interest, and while we find that the public interest does not support the Union's longevity proposal, we also find that the public interest would not be harmed unduly -- and in some respects would be served -- by the award of the Union plan.

5. Other Factors

We believe that the foregoing discussion in very large measure addresses the relevant issues. We have not explicitly referred to the question of parity with the police, although we have inferentially taken account of it in our consideration of the ability to pay and public interest criteria. Our discussion regarding the parity matter in Part IV of our opinion applies here, as well.

C. Concluding Findings Regarding the Longevity Pay Issue

We find that the award of the Union's longevity plan proposal is appropri-

ate. We are primarily lead to this finding by the comparability criterion which we are required to address by the Illinois Public Labor Relations Act. The comparability factor seems overwhelmingly persuasive, given the facts that (1) every city but one has longevity pay, (2) 79% of the cities in Illinois have it, and that (3) the Union proposal calls for a plan far more modest than any in place in the comparable cities.^{22A/} The overwhelming consensus that longevity whether for the purposes (or results) of attraction, retention, reward, or whatever -- is a valid compensation device. We abide by that consensus.

VI. HEALTH INSURANCE COVERAGE^{22B/}

The City has proposed changes in the health insurance coverage provided Local 505 members. The Union's final offer is that no changes be made.

A. Background

The City of Decatur provides a self-insured program of group health insurance coverage for all of its employees. Firefighters who so desire may enroll in this plan. Indeed, as of the hearing, 26 had done so. There is another plan available to the firefighters: they have their own Blue Cross/Blue Shield plan.^{23/} A firefighter annually has the opportunity to shift from one plan to the other. For a firefighter who is enrolled in the Union plan, the City pays

^{22A/} The chairman, at least, is somewhat abashed about infusing into the Union-City relationship a wage element which for years has been a subject of dispute but which had not been attainable until, for the first time, a new mechanism -- interest arbitration, chaired by a neutral chairman -- was brought into the picture. It is the state legislature, however, which chose to 'draw' this new picture, and necessarily that venture has carried with it the likelihood for past situations and relationships being modified. Were that not so, the legislation would be a mere cipher.

^{22B/} Panel member Landholt dissents from this portion of the Opinion.

^{23/} No other City employee group has its own alternative plan. Nor does any firefighter group in the comparable cities.

to the Union insurance fund the same amount as it would pay for an employee enrolled in the City plan. If that amount in fact exceeds the cost of the Union plan, the excess reduces the individual's premiums.

Article 16 of the contract between Local 505 and the City provides that "[t]he City shall provide medical, major medical and Hospital group insurance for each employee with benefits not less than those benefits currently in effect ...". The dispute generating the need for interest arbitration flows from the intersection of this provision with changes the City has proposed regarding such insurance. The City final offer involves the abolition of the present self-insured City plan and its replacement with two plans, either of which may be chosen by an employee -- the health organization maintenance (HMO) plan and the Comprehensive plan. Both are administered by, or in conjunction with, Blue Shield/Blue Cross of Illinois. If the City's final offer were awarded, firefighters would thenceforth have the option, in theory, to enroll in any one of three plans -- the Local 505 plan, the HMO plan, or the Comprehensive plan.

The advantage to the City is that the cost of the two new plans would be less than the cost of the current City plan. The problem for the City -- which is offering these new plans to all of its employees -- turns on the 26 firefighters who are enrolled in the current City plan. By virtue of the Local 505-City of Decatur contract, the City cannot -- as noted above -- change benefits unless the new benefits are as good as, or better than, their predecessors. The City, while apparently of the view that its proposed plans indeed do offer equivalent or better benefits than the current City plan, is unwilling to unilaterally convert to the HMO and Comprehensive plans without the agreement of the firefighters that such conversion would constitute the providing of equal or better benefits, and thus would be consistent with the contractual requirement.

The firefighters are unwilling to provide that consent. For the City to go ahead and offer the new plans and at the same time to maintain the current City plan for the 26 firefighters, would not be economically feasible, given the high risk of exposure to claims. Purchase by the City of a group policy for the 26 likewise would not be economically feasible since, because of the small number of enrollees, the cost would be very high.

Given the City's desire to switch to the new plans, and given the Union's refusal to agree to this switch within the confines of the existing language's provision for the maintenance of equivalent or better benefits, the City proposes changes in the contract. Specifically, the City's offer includes language establishing that its obligation is to provide benefits not less than those benefits in effect as of April 30, 1986, and that "[f]or purposes of this Section, the health insurance benefits of the Health Maintenance Organization (HMO) offered by the Foundation for Medical Care of Central Illinois, in conjunction with Blue Cross/Blue Shield of Illinois, and/or the benefits of the comprehensive major medical plan offered by Blue Cross/Blue Shield as an option to the HMO, are stipulated to be not less than the benefits provided to employees by the City as of April 30, 1986." (Section 1).

The City's offer further provides that the City will cover the premium cost for single employee coverage under the HMO plan, or an amount equal to that for employees enrolled in the Comprehensive plan. The City's offer also provides that the City will contribute up to \$60 per pay period for employee dependent coverage under the HMO plan, or an amount equal to the HMO premium (but not to exceed \$60 per pay period) for dependent coverage under the Comprehensive plan. Further provision is made -- as it is under the existing contract -- for the payment to the Union insurance fund of an equal amount for the employee who is

enrolled in the Local 505 plan.

The Union is opposed to the changes in the contract language — changes which specifically stipulate that coverage under the HMO and Comprehensive plans is at least equal to that under the current City plan. It believes that in fact the present City plan provides, in toto, better benefits than do either of the two proposed plans, or at least better benefits than are provided under the Comprehensive plan, which would be the one which some Union members and retirees would be forced to enroll in by reason of circumstances discussed below in the section dealing with the parties' arguments.

B. The Parties' Arguments

1. The City's Position re Costs

The City contends that the cost of the proposed plans would be less than the current self-insured plan, and so the City would reap an economic benefit from the switch.^{24/} The City also contends that the new plans would be of financial benefit to most of the firefighters. As for the matter of whether the substantive benefits of the new plans are equal to or better than those provided under the existing City plan, the City's brief asserts: "The HMO/Comprehensive plan obviously is different from the current plan ...; whether the benefits are as good as those in effect now is a matter of opinion." (City Brief, at 45 n. 13). Presumably, the City is of the view that the benefits offered are at least

^{24/} In City Exhibit 15 the City sets forth its computations regarding the cost of the Union and City offers. According to its calculations, simple retention of the existing situation results in increased City costs for the 1986-87 calendar year of \$10,920.00. Institution of the two new plans results in costs, according to the City's calculations, of \$20,201.00. Thus, according to the City the new plans in fact would be almost twice as expensive as would be the existing plan. Presumably, the City's savings somehow result from the fact that in overall terms the two new plans would be less expensive than the current plan.

as good. In any event, the problem is obviated for the City if the City's offer is awarded since, by language of that offer, the HMO and Comprehensive plans are stipulated to be equal to 1985-86 benefits. While the City recognizes that there is a Union concern about persons otherwise eligible for coverage - chiefly retirees and student dependents - who live outside the 11-county area covered by the HMO, the City deems the problem not a significant one since there was only one retiree to which the Union's witnesses pointed who indeed lives outside the HMO region and there were no student dependents identified as living outside the region. In any event, the Comprehensive plan still would be available to take care of the problems of these people.

Under the present City plan, a rate increase occurred as of May 1, 1986. The following tables address the coverages provided as of April 30, 1986^{25/}, the last day of the 1985-86 contract year, and as of May 1, 1986 - the first day of the 1986-87 contract year.

TABLE 11 — COVERAGE AS OF 4/30/86

<u>Coverage</u>	<u>Premium (bi-weekly)</u>	<u>City Share</u>	<u>Employee (Retiree) Share</u>
Employee	\$27.11	\$27.11	\$ 0.00
Dependent	<u>66.57</u>	<u>42.78</u>	<u>23.79</u>
Total	<u>\$93.68</u>	<u>\$69.89</u>	<u>\$23.79</u>
Retiree (with dependent)	\$93.68	\$ 0.00	\$93.68

^{25/} By the language of the City offer, the Union and City stipulate that the coverage under the HMO and Comprehensive plans is equal to that available as of April 30, 1986.

TABLE 12 -- COVERAGE AS OF 5/1/86

<u>Coverage</u>	<u>Premium (bi-weekly)</u>	<u>City Share</u>	<u>Employee (Retiree) Share</u>
Employee	\$31.16	\$31.16	\$ 0.00
Dependent	<u>78.38</u>	<u>42.78</u>	<u>35.60</u>
Total	<u>\$109.54</u>	<u>\$73.94</u>	<u>\$35.60</u>
Retiree (with dependent)	\$109.54	\$ 0.00	\$109.54

The firefighter with dependents who enrolls in the proposed HMO plan, assuming that plan were implemented by virtue of the panel awarding the City's offer, would experience a considerable savings, the amount of which becomes clear by comparing the figures in Table 12 with those in Table 13. His savings total \$35.60 bi-weekly, for a total of \$925.60 annually. The retiree with a dependent also is better off -- he saves \$30.64 bi-weekly (\$109.54 - \$78.90), for a total of \$796.00 annually. The employee who has no dependent coverage is no worse off: he still incurs no expense whatsoever.

TABLE 13 -- COVERAGES UNDER HMO PLAN

<u>Coverage</u>	<u>Premium (bi-weekly)</u>	<u>City Share</u>	<u>Employee (Retiree) Share</u>
Employee	\$26.35	\$26.35	\$ 0.00
Dependent	<u>52.55</u>	<u>52.55</u>	<u>0.00</u>
Total	<u>\$78.90</u>	<u>\$78.90</u>	<u>\$ 0.00</u>
Retiree (with dependent)	\$78.90	\$ 0.00	\$78.90

The figures for the Comprehensive plan follow.

TABLE 14 -- COVERAGES UNDER COMPREHENSIVE PLAN

<u>Coverage</u>	<u>Premium (bi-weekly)</u>	<u>City Share</u>	<u>Employee (Retiree) Share</u>
Employee	\$31.69	\$26.35	\$ 5.34
Dependent	<u>77.82</u>	<u>52.55</u>	<u>25.27</u>
Total	<u>\$109.51</u>	<u>\$78.90</u>	<u>\$ 30.61</u>
Retiree (with dependent)	\$109.51	\$ 0.00	\$109.51

Under the Comprehensive plan the firefighter with dependent coverage pays a total of \$30.61 bi-weekly, which is \$4.99 less than the 1986-87 rate for the current City plan. This amounts to an annual saving of \$129.74. The retiree would be no worse off under the Comprehensive plan than he is under the 1986-87 City plan rates; in fact, he saves 3 cents bi-weekly, for a total of 78 cents annually.

In summary, the firefighter with dependent coverage clearly is better off financially both under the HMO and the Comprehensive plans. Indeed, he is very significantly ahead -- \$925.60 annually -- under the HMO plan. The single firefighter is no worse off under the HMO plan. The retiree -- who both under the existing contract and under the proposed changed one is eligible to continue participation in the group plans, but at his own full expense -- is considerably better off - \$796.00 annually -- under the HMO plan. He is no worse off under the Comprehensive plan. The firefighter who is enrolled in the Local 505 plan may be slightly better off or slightly worse off, as discussed below.

2. The Union's Position re Costs

The Union contends that the financial consequences do not all go in one direction.^{26/} In some instances, the proposed plans leave firefighters worse off. With regard to the Comprehensive plan, a single firefighter would have to pay \$5.34 bi-weekly, which totals \$139.00 annually (see Table 14), whereas under the current plan he pays nothing (see Table 12). There also is some negative impact in the context of the intersection of the various City plans with the Local 505 plan. As noted earlier, the City pays to the Union insurance fund an amount equalling the amount it pays for an employee in the City plan. The figures under the current City plan -- as of May 1, 1986 -- and their relationship to the Union plan's premium costs, are as follows.

TABLE 15

<u>Coverage</u>	<u>Premium (bi-weekly)</u>	<u>City Share</u>	<u>Employee Share</u>
Employee	\$23.55	\$31.16	\$ -7.61
Dependent	<u>60.01</u>	<u>42.78</u>	<u>17.23</u>
Total	<u>\$83.56</u>	<u>\$73.94</u>	\$ <u>9.62</u>
Retiree	\$83.56	\$ 0.00	\$ 83.56

These figures show that the City payment for the single firefighter exceeds the cost of the premium -- and thereby reduces the employee's premium expense -- by \$7.61 weekly, which totals \$197.86 annually.

^{26/} The City offer contemplates a maximum of \$60 payment for dependent coverage. Thus, should the rates under the proposed plans rise, there can come a time when the \$60 cap is reached and thereafter the employee will absorb the increased premium cost. While the Union does not highlight this point, it is one which the panel considers relevant in assessing the various plans.

Under the proposed HMO and Comprehensive plans, the City payments would be less for single firefighters, and more for dependency coverage. Their meshing with the Union plan follows.

TABLE 16

<u>Coverage</u>	<u>Premium (bi-weekly)</u>	<u>City Share</u>	<u>Employee Share</u>
Employee	\$23.55	\$26.35	\$ -2.80
Dependent	<u>60.01</u>	<u>52.55</u>	<u>7.46</u>
Total	<u>\$83.56</u>	<u>\$78.90</u>	\$ <u>4.66</u>
Retiree	\$83.56	\$ 0.00	\$ 83.56

Here, the City payment only exceeds the single employee premium cost by \$2.80 bi-weekly, or a total of \$72.80 annually. Thus, the single employee is \$125.06 (\$197.86 - 72.80) worse off under the proposed City plans than under the current City plan. On the other hand, firefighters with dependent coverage come out better. Under the current City plan their cost is \$9.62 bi-weekly, or \$250.12 annually. Under the proposed plans, their cost is \$4.66 bi-weekly, which totals \$121.16 a year. Thus, the firefighter under the proposed plans would have to expend \$128.96 less than under the existing plan. The retiree's position is unchanged.

3. The City's Position re Equivalency of Benefits

Apart from the cost arguments, there are also arguments regarding the quality of coverage provided under the proposed City plans. Table 17 sets forth the benefits, in abbreviated form, under the current City Plan, the HMO plan, and the Comprehensive plan.

TABLE 17

<u>Benefit</u>	<u>Current City Plan</u>	<u>HMO</u>	<u>Comprehensive</u>
Hospital			
Room and board	100% semi-private	100%	80%
Miscellaneous	\$500/M.M.	100%	80%
Surgical	Scheduled \$660 max.	100%	80% (of usual and customary)
Physician			
In-hospital	\$8/day; \$960 max.	100%	80%
Physicals	No	100%	No
Supplemental accident	\$300/accident	\$25 copay/100%	100%
Second Opinion	90%	100%	100%
Outpatient			
Hospital	90%	100%	
Diagnostic	90%	100%	100%
Major Medical			
Benefit max.	\$250,000	\$1,000,000	\$1,000,000
Deductible	\$100/\$300	---	\$100/300
Copay	90/100	---	80/20
Stop Loss	\$1,000 100% 2d yr.	---	\$500
Prescription drugs	90%	80%	80%
Psychiatric	50%	50%/20 visits	\$50/52 visits
Dental	None	None	None

In some respects the HMO plan improves upon certain aspects of the current City plan. For example, the HMO plan provides for 100% coverage of physicals, whereas the present City plan provides no coverage. The HMO plan pays 100% for outpatient hospital and diagnostic services, and for second opinions; the present City plan only pays 90% of these costs. Under the HMO plan the cap on benefits is \$1,000,000; under the present plan it is a much more meager \$250,000. And under the HMO plan there is no deductible, whereas under the present City plan there is.

4. The Union's Position re Equivalency of Benefits

There are also elements of the HMO plan which clearly are not as good as those of the present City plan. Under the current plan 90% of prescription drug

costs are paid; under the HMO plan only 80% is paid, for example. And psychiatric benefits apparently are much poorer under the HMO plan.^{27/} It is the deficiencies of the Comprehensive plan, as contrasted with the present City plan, which are particularly more significant from the Union's perspective. These outweigh for the Union the advantages of the HMO plan, which the Union's witness -- in Exhibit 26 -- acknowledged is "better in some area's [sic] of coverage". Under the current plan, hospital costs -- e.g., room and board -- are 100% covered. Under the Comprehensive plan, there is only 80% coverage. The same 80%/100% split exists regarding surgical costs, although in fact this distinction may not be one which ultimately cuts in favor of the current City

^{27/} We confess to some confusion regarding the matter of psychiatric benefits. The City exhibit lists coverage under the current plan as being 50%. It lists the same percentage for the HMO and Comprehensive plans, but further reports that coverage is limited to 52 visits under the Comprehensive plan and just 20 under the HMO plan. These limitations -- particularly that under the HMO plan -- stand in stark contrast to the lack of limitations under the current City plan. However, in looking to the materials submitted by the Union regarding the present City plan, we find a paragraph which states that indeed psychiatric coverage is limited:

- b. Out-Patient Benefits: Payment for covered medical expenses incurred for a mental or nervous disorder when there is no hospital confinement will be limited to 50% of the covered medical expenses. Also the amount of the physician's charges included as covered medical expenses will be limited to the lesser of the usual and customary charge or \$80 a visit and no more than one visit on any day. Payment of physician's charges will be limited to \$40 a visit and \$500 during a calendar year.

(Emphasis added). Given the underlined language, the HMO and Comprehensive plans much better withstand comparison with the current plan. However, since it is the City which put forth the unmodified 50% figure for the current plan, and since it is the City which seeks to change the present contract vis-a-vis health insurance, we will assume the City's position on coverage is accurate and that the quoted section perhaps is no longer operative or should not be read in isolation.

plan.^{28/} There is also only 80% coverage under the Comprehensive plan for in-hospital physician expenses. However, there is a \$960 maximum under the current City plan. Thus, for physician billings of less than \$960 the present plan is better. However, once billings top \$1,200, the Comprehensive plan is the better of the two, since it will cover 80% of the total, and the amount paid will be more than \$960. The Comprehensive plan only provides for 80% coverage vis-a-vis prescription drugs; the present plan covers 90%. The Comprehensive plan provides for a co-payment schedule of 80%/20%; the present City plan contains a 90%/10% schedule.

There is one more factor here. The Union particularly objects to the adoption of the HMO plan because it has certain limitations built into it. An enrollee is required to use a doctor who is a member of the HMO. While the Union did not make much of this limit (perhaps because most doctors in the area are in the HMO), it did stress the fact that the HMO covers only an 11-county central Illinois region. Thus, retirees who relocate to another part of the country, or dependents under the age of 23 who are away at college -- all of whom are eligible for inclusion under the proposals -- in fact will not be able to avail themselves of the HMO's services since they will not be near doctors who participate in the HMO. While the HMO plan allows for the use of non-HMO doctors, it only does so contingent upon prior approval by the HMO, and only to the extent of 76% of the cost. Obtaining approval, when one is 1,000 miles from Decatur, is an unlikely prospect. Even if one could get it, the coverage level is reduced. Moreover, there is no comparable 75% coverage provision regarding

^{28/} The City exhibit states that there is a "scheduled" \$660 maximum on surgical costs. If this means that the present plan only covers surgeries to the extent of \$660, then the 80% coverage under the Comprehensive plan would be better in the case of any surgery costing in excess of \$825.00 (80% of which equals \$660). The Union exhibit also includes a reference to a \$660 maximum.

hospitalization, etc. The consequence, then, is that for the firefighter retiree^{29/} and for the firefighter employee with a student dependent attending a school outside the 11-county region,^{30/} the HMO is not a useful choice. He, then, must opt for the Comprehensive plan. Yet, because the Comprehensive plan provides lesser coverage than does the present plan, that, too, becomes an undesirable option.

Finally, for the firefighter who is enrolled in the current City plan and who, if the new plans were adopted, would find the Local 505 plan — with its better benefits and, most importantly, its transportability — advantageous, the fact is that he may not be able to enroll in that plan. This is because the Union plan requires that an applicant be in good health to be admitted. If the firefighter is not, he will be excluded. Moreover, the Union's witness testified that there is no provision for someone who at one time was enrolled in the Local 505 plan, and then switched to the City plan, to now re-join the Union plan. Thus, for some firefighters who are in the current City plan the only option available may be enrollment in the Comprehensive plan.

C. Application of the Statutory Criteria to the Health Insurance Issue

We do not think the first, second, and seventh statutory criteria are applicable here. The first goes to the lawful authority of the employer, the second to stipulations of the parties, and the seventh to changed circumstances. The other criteria deserve attention.

^{29/} The Union's witness regarding insurance identified only one retiree currently living out of the 11-county area.

^{30/} The Union witness' were unable to identify any such students at the present time.

1. Comparisons With Other Cities

The City submitted into evidence an exhibit summarizing the premium costs paid by eight cities, as well as Decatur.^{31/} Under the City's present plan Decatur ranks seventh out of nine, expending \$1,818 annually per employee. Under the proposed HMO plan, the amount expended would rise to \$2,051, and so Decatur would rise in the rankings to sixth. Thus, we have the anomalous situation that the City -- which wants a change in the contract -- can justify what it is doing in terms of improving its efforts vis-a-vis its employees, while the Union opposes the change, notwithstanding the greater expenditure by the City. In such a situation, the factor of comparables does not help us much in our decision making.

More useful would be a comparison of benefit schedules designed to establish -- or at least afford insights into -- whether the benefits proposed in the City's HMO plan and in its Comprehensive plan are worse than, equal to, or better than those provided in other cities. While the City did offer a very skeletal comparison of benefit plan structures, no evidence prepared by an insurance analyst was offered. The material provided by the City simply is too sketchy for us to mount what is, under the best of circumstances, an exceedingly difficult undertaking: comparing benefits of different plans. It is clear to us that there are differences between the current City plan and the HMO and Comprehensive plans. It is also somewhat clear -- from the City exhibit -- that there are differences between these three plans and those provided in other cities.

^{31/} The cities are Peoria, Rockford, Springfield, Galesburg, Champaign, Danville, Bloomington, and Normal. In considering the wage increase issue, we rejected Normal as a comparable city because it has an individualized pay scheme. Here, however, the data are more clear-cut, and accordingly Normal is appropriate to include.

We have no basis for concluding that these differences are so insignificant as to virtually nothing.

We find that, on the basis of comparability, the City is proposing health insurance plans which are not comparable, in their details, to those of other cities. We are unable to determine whether they are comparable in some overall global comparison. We conclude, therefore, that the City has failed to establish that its offer is justifiable in terms of the comparability criterion of the Illinois Public Labor Relations Act.

2. The Cost of Living

We already have discussed, in Part IV of this opinion (dealing with the wage increase issue), the history of cost of living increases since July, 1983. We find that the cost of living criterion does not justify the City's offer. There are a couple of reasons for our so finding.

-- First, for some firefighters there will be an increase in costs as a result of the new plans. This is so for single firefighters in the Comprehensive plan, and some firefighters in the Union plan.

-- Second, because the HMO plan will not be useful, as a practical matter, for some firefighters -- e.g., those who retire and move out of the area and for those with student dependents outside the area -- the Comprehensive plan may have to be used (if the firefighter or retiree cannot enroll in the Local 505 plan). Even if the result would be no greater cost insofar as premiums are concerned, because coverage is less thorough under this plan the overall costs incurred by a firefighter or retiree when an illness arises will be greater.

The firefighters' compensation has lagged behind the rise in the cost of living

in the last three contract years. Adding expenses does not respond to that lag, but only exacerbates it.

3. The Overall Compensation Presently Received by Local 505 Members

We have already addressed this issue in dealing with the wage increase and longevity pay questions. We find — particularly given that in some respects the proposed City plans may produce savings, but in some they may lead to added costs — that the overall compensation afforded Decatur firefighters neither supports nor debunks the City's plans.

4. The Public Interest and the Ability to Pay

Clearly, the City has the ability to pay the costs associated with the HMO and Comprehensive plans, even given that they will be higher than would be the costs associated with just leaving the present City plan in place. These higher costs for firefighters aside, the City maintains that replacement of the present City plan with the two proposed plans will — on a City-wide basis — result in a savings of money. However, the City has not put forth evidence justifying the conclusion that it is unable to pay the higher costs associated with maintenance of the present City plan. During the hearing the City's witness regarding the insurance issue was asked:

... [I]f the Arbitration Panel were to adopt the Union's final offer by which the HMO option would not be available to employees in the Fire Service who elected the City plan, what would the City do with respect to the other employee groups insofar as implementing the HMO?

The witness responded:

We haven't made a final determination yet. We could go ahead with the HMO and the options or we could stay on the traditional self-funded plan.

...

Depending on what we could do with the other 25 fire fighters, if we couldn't find a way to suitably transfer that risk, then we would have to stay with the City's self-insured plan.

There was no evidence introduced as to how much more expensive it would be for the City to stay with the self-insured plan, nor as to what financial strains would be caused by remaining with the present plan.

We are unable to find that the ability to pay criterion supports the City's offer.

There is also -- and here more importantly -- the public interest criterion to consider. We understand the City's aim. It is a reasonable and legitimate one. Health costs have been soaring over the past several years, and employers properly are seeking means to contain those costs. The public interest -- if defined solely in terms of saving money -- will always override countervailing considerations. We do not think, however, that the public interest can be so narrowly construed. And given that, apart from costs, the proposed plans do not appear markedly better than the current City plan -- and in some respects they are worse (at least insofar as firefighters are concerned), we do not see how the public interest is advantaged by a switch to the proposed plans. Moreover, in considering the public interest one must take into account in some measure the interests of the public employees upon whom the public relies for services.

Here, we must take account of the fact that not only would some firefighters have their health insurance coverage reduced were the City plans to be adopted, but moreover, they would receive no compensating advantages to offset their losses (although some of their colleagues may be better off).

We find that the public interest in a very narrow sense perhaps would be served by the adoption of the proposed City plans -- which in some unidentified way would, according to the City, achieve a cost savings for the City. Nonetheless, the public interest gain is too ill-defined to justify an award for the City. In reaching these conclusions, we acknowledge that the consequence of an award for the Union may well mean that the proposed plans cannot be implemented even for other City employees. However, the fact of the matter is that we have no evidence before us that other City employees would thereby suffer. They would have their extant plans covering them, and we are unaware of any data showing that those plans are deficient -- either mildly or extremely. Thus, we do not view our finding as imposing a hurt on these other employees.

5. Other Factors

We think all the relevant factors have been addressed.

D. Concluding Findings Regarding the Health Insurance Changes

One factor in particular is of concern here. The plans proposed by the City involve changes in benefits. In some instances, and for some individuals, those changes are in a positive direction. But for other individuals the changes are negative ones. For some, the changes result in increased costs. For some, they result in reduced benefits. For some, the changes result in both: reduced benefits, such as for prescription drugs, in turn generate in-

creased costs, since the employee will have to make up the difference.

Certainly, there is support in past arbitration rulings for the conclusion that changes in health benefits which are made by an employer during the course of a contract can constitute violations of the contract. See Motor Wheel Corp., 86-1 ARB ¶8081 (1985); Board of Education of the School District of the City of Erie, Pa., 82-2 ARB ¶8446 (1982); Economic Bushing Co., 78-1 ARB ¶8162 (1978). See also Milwaukee Faucets, Inc., 65 LA 1221 (1975). This can be so even if the employer is in dire financial straits. Pic-Air, Inc., 83-2 ARB ¶8546 (1983). And it can be so even if the new plan has advantages over the old one. Cissel Mfg. Co., 85-1 ARB ¶8278 (1985). As was stated in City Utilities of Fort Wayne, Ind., 65-1 ARB ¶8228 (1965): "If ... [some employees are prejudiced by the changes], then ... it is irrelevant whether in many respects or indeed even if in most respects the ... [new] program has substantial advantages over ... [the old one]." 65-1 ARB at p. 3822.

Of course, we realize that this is an interest -- not a grievance -- arbitration, and so the fact that a change in benefits might violate an existing contract does not preclude our approving changes embodied in a new contractual provision. Nonetheless, we cannot help but be impressed by the fact that our approval of the changes would constitute the imposition of a benefit system worse (for some) than that previously in existence. We cannot, then, award an offer which embodies language whereby the new benefits indeed would be equated with the old, when such is not the case. Moreover, apart from -- and more important than -- our difficulty with the specific language proposed by the City offer, we do not see enough in terms of the public interest or the City's finances to justify the losses which would be imposed upon some firefighters -- losses which all the firefighters oppose.

AWARD

The panel awards the City its offer of a 4.5% increase.

The panel, by a 2-1 vote, awards the Union its offer of a new longevity plan providing as follows:

Effective May 1, 1986, Local 505 members are to receive longevity pay, payable bi-weekly and based on the top firefighter's wages, as follows:

- a. More than five years but less than 10 — 1%;
- b. More than 10 years but less than 15 — 2%;
- c. More than 15 years but less than 20 — 3%;
- d. More than 20 years -- 4%.

The panel, by a 2-1 vote, awards the Union its final offer regarding health insurance benefits -- e.g., no change in the contract.

Dated: 7/28/86

Howard Eglit
Howard Eglit, Chairman

Dated: 7-29-86

Robert A. Gaffron
Robert A. Gaffron

Panel member Landholt joins in the award only insofar as the City is awarded its offer of a 4.5% increase.

Dated: 7/29/86

Hilmer C. Landholt
Hilmer C. Landholt